



July 24, 2006

Lynn Fabrizio, Staff Attorney/Hearings Examiner
New Hampshire Public Utilities Commission
21 South Fruit Street
Concord, NH

Re: Investigation into Utility Poles
Unitil Energy Systems, Inc. Response to Data Requests
DM 05-172

Dear Lynn:

On behalf of Unitil Energy Systems, Inc. ("Unitil"), enclosed please find an original and four (4) copies of Unitil's Supplemental Response to Request No. 3-44A of the Commission Staff's Third Set of Document and Information Requests. Unitil is providing this supplemental response to reply to a number of claims and allegations contained in Verizon's response to Staff 3-44A, dated May 30, 2006 (filed on July 11, 2006). An electronic copy of this filing is being e-mailed to all parties.

Thank you for your attention to this matter.

Sincerely,



Gary Epler

Enclosure

cc: Service List (by e-mail)

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Request No. Staff 3-44A Follow-Up:

Does your company believe that the other companies with whom you have an IOP are conforming to their respective IOP's for pole maintenance, trimming, or inspections? If not, please specifically describe why not for each instance. For companies with an IOP with more than one other company, please supply a separate response for each.

Supplemental Reply:

In its reply to Staff 3-44A Follow-Up, Verizon makes a variety of statements concerning Unitil's compliance with the IOP's that are, at best, inaccurate and incomplete. In many cases, the allegations are simply wrong. Unitil submits this supplemental response to clarify and correct misstatements and factual errors contained in Verizon's reply.

Verizon Claim No. 1: IOP #17 provides Verizon NH and Unitil with the option of choosing not to participate in maintenance tree trimming if either party does not feel there is a benefit to joint participation.

Unitil Reply: Unitil disagrees with this paraphrasing of the IOP. The IOP states that maintenance trimming shall be done on a joint basis when both companies *have a need*, and when it is agreed that both parties *will benefit*. It is not written in entirely discretionary language as paraphrased by Verizon, thereby allowing one party to escape its basic utility obligations and the reasonable costs thereof. The IOP does not include the phrase "option of choosing," nor does the word "feel" appear in the IOP.

The spirit of the agreement requires good faith judgment on the part of both parties to determine if there is a need, and if there is mutual benefit. It is not, as Verizon suggests, left solely to the discretion of one party to "choose" to participate, or refuse participation, irrespective of need or a reasonable appraisal of benefit. Furthermore, need and benefit are not arbitrary standards; a reasonable person can readily ascertain if there is a need for trimming and if the attaching parties will benefit from such trimming. Verizon takes the position that it is entirely at their option as to whether they choose to participate in maintenance trimming, thereby allowing them to benefit from the line clearance programs of the electric utilities without sharing in their cost.

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Verizon Claim No. 2: On three separate occasions studies were performed that established that Unitil was charging Verizon NH for sections: 1) where Verizon NH was not attached to the pole line; 2) in locations of the state that did not include a Verizon NH serving area; or 3) that involved trimming for power company space only. These were characterized by Verizon as invoicing "errors."

Unitil Reply: Verizon's characterization of this issue is inaccurate, incomplete, and is provided without proper context. For example, in two of the so-called "studies," the conclusions (as presented in the letters submitted by Verizon) reflect missing and incomplete information. Furthermore, as explained in Unitil's response to Staff 3-25, detailed information on Unitil's planned trimming for 2005 was provided to Verizon as early as December of 2004. In the Capital area specifically, Verizon never responded or made efforts to coordinate this trimming, never commented on it, and apparently never reviewed it in the field. In fact, in a meeting between Verizon and Unitil held at Verizon's offices on May 12, 2005, Verizon seemed unaware they had received the information (it appeared to have been "lost"). Following this meeting, Verizon informed us that the information was "found" and there was no need to resubmit it.

Many months later, after the trimming had long since been completed, Verizon completed an exhaustive review of Unitil's invoicing and documentation, the purpose of which seemed to be to pick apart everything that had invoiced. If Verizon had devoted as much time and effort reviewing planned trimming in a timely manner *before* it was completed, instead of after, all of these issues would have been avoided. We received no communication from Verizon until October 2005, nearly 10 months after the information had been first provided to Verizon by Unitil, and approximately 5-8 months after the trimming had been completed.

Of the so-called "errors," a majority (75 percent) involved sections trimmed that Verizon felt did not need trimming (Verizon made this determination, of course, *after* the trimming had been done), or that were not trimmed to Verizon's satisfaction (again, after the work had been completed). These are not invoicing errors. A small percentage of sections (1 percent) involved locations where Verizon did not have attachments. It is not unexpected that there would be small errors and omissions given the sheer volume of sections trimmed and associated paperwork. Unitil agrees that it erred when it invoiced Verizon for trimming in specific areas that were not Verizon's franchise area. This would have been corrected through the coordination process early on had Verizon been responsive. There were additional issues classified as "invoicing errors" in Verizon's other letters that reflect missing information, not as a result of Unitil's errors but due to Verizon's mishandling of documents. Exchange of Notice forms properly submitted by Unitil were omitted from Verizon's analysis due to internal staffing changes at Verizon.

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It is worth noting that Verizon has yet to comment on Until's planned trimming in the Seacoast area for 2006, which is now more than half complete. Detailed information and documentation was provided to Verizon on February 6, 2006. This lack of timely response and coordination is likely to result in a repeat of many of the same issues.

Verizon Claim No. 3: Until previously included Attachment 1 in its response to Staff 3-25; however, it neglected to include the second page of the document, which detailed the findings of Verizon NH's study of Until's invoice errors.

Until Reply: Until acknowledges that the 2nd page was inadvertently omitted from the attachment to 3-25, and respectfully apologizes for the omission. The omission does not materially change the context of the attachment. The correct reference is to Until's Attachment UES-Staff 3-25 No. 5.

Verizon Claim No. 4: Verizon provided as Attachment 2 Staff 3-44A Follow-up a letter dated November 18, 2005 from Troy McDonald to Robert Conner.

Until Reply: Until acknowledges it received this letter. It should be noted that the discussion in this letter reflects confusion (by Verizon) over EONs that had previously been sent by Until. Mr. McDonald did not have in his possession all the EONs that had been submitted to Verizon by Until, and was unaware of this fact. Thus, the discussion in the letter pertaining to Until-Seacoast is simply inaccurate. Issues pertaining to Until-Capital were similar to those already discussed for the January through April timeframe.

Verizon Claim No. 5: Verizon provided as Attachment 3 Staff 3-44A Follow-up, a letter dated January 13, 2006 from Troy McDonald to Robert Conner. This letter was also provided in Until's Attachment UES-Staff 3-25 No. 5.

Until Reply: In an e-mail dated January 16, 2006, a copy of which was included in Until's Attachment UES-Staff 3-25 No. 5, Mr. McDonald acknowledged that his letter, dated January 13th, was in error and asked Until to "disregard the letter and the data." As stated in his e-mail, Mr. McDonald could not match Asplundh trimming invoices to EONs because he did not have copies of Exchange of Notice forms that had been sent by Until prior to his assuming his position as Joint Lines Specialist. Mr. McDonald acknowledged in his e-mail he was "unaware that the previous EONs were part of the trim invoicing by Until-Seacoast." He further stated that this was a good example to use to "tighten up the process on our [Verizon's] end to ensure this situation does not happen again." Hence, Verizon's Attachment 3 is, in its entirety, erroneous, as are all of the allegations Verizon directs towards Until based upon this letter.

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Verizon Claim No. 6: During year 2004 Unutil did not follow Item 5(a) of IOP#17 requiring it to provide an Exchange of Notice (EON) for Verizon NH's review and agreement of sections to be trimmed. Item 5(e) of IOP #17 provides that Unutil is to accept financial responsibility for any "uncoordinated" trimming.

Unutil Reply: Unutil acknowledges that 2004 trimming was not coordinated in the manner specified in Item 5(a) of IOP #17. However, as covered in detail in the response to Staff 3-25, Unutil had made exhaustive attempts to follow the IOP and coordinate trimming with Verizon in prior years. After preparing the Exchange of Notice forms and related documentation, EONs for trimming were returned "will not participate," or "no interest." Unutil had little success obtaining cooperation or participation from Verizon, and thus curtailed these efforts.

As a result of operational meetings between Verizon and Unutil beginning in the last quarter of 2004, there was a renewed optimism that these types of issues would be addressed and resolved. Joint trimming was discussed in operational meetings between the parties on November 8, 2004 and December 13, 2004. As a result, Unutil made the decision to invoice Verizon for a 25 percent share of trimming that had been completed in that year. It is Unutil's position that this trimming provided benefit to Verizon. Unutil respectfully suggests that it is not feasible to coordinate trimming in accordance with Item 5(a) of IOP#17, and obtain review and agreement of sections to be trimmed, if Verizon is non-responsive to our requests. Moreover, it is odd, to say the least, for Verizon to suggest that it will not recognize its financial obligations regarding trimming due to invoicing and exchange of notice errors, when it refuses to pay even where the invoice and notice requirements are painstakingly complied with.

Verizon Claim No. 7: If Unutil decides to employ a trim vendor that is not on Verizon's NH's approved contractor list, Item 5(d) requires Unutil to pay for the trimming and invoice Verizon 25 percent of the trim expense associated with the trim sections for which Verizon NH agreed to participate. While Verizon NH and Unutil have met regarding this practice, Unutil is now refusing to include a copy of the signed EON to support invoicing.

Unutil Reply: Unutil is unaware of instances where we have employed contractors not on Verizon NH's approved contractor list. Unutil employs Asplundh, which to our knowledge is on Verizon's approved contractor list. It is unclear what this statement is intended to convey.

Furthermore, we are not aware of any refusal by Unutil to provide signed EONs. There is no requirement under the IOP to supply an *additional* signed copy of the

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EON with the invoice, given that all of the EONs have already been provided to Verizon by Unitil. During a January meeting between representatives of Unitil and Verizon, Unitil agreed to provide an *additional* copy of the EON when invoicing, to facilitate the administrative process on Verizon's end. This is done as a courtesy, not a requirement. For a period of time following the meeting, there was an internal staff member at Unitil who misunderstood the verbal agreement, and was not providing the *additional* EON with the invoice. This was rectified and to our knowledge a second copy of the EON is being provided with the invoice. To reiterate, Verizon has been sent all EONs for tree trimming. The additional copy is provided by Unitil as a courtesy to assist Verizon with its administrative requirements.

Verizon Claim No. 8: Unitil will routinely send one transfer notice to all attachees once it has set a pole within its maintenance area and maintenance area.

Unitil Reply: Unitil acknowledges this was the practice in the past. However, Unitil/Seacoast began sending single notices and coordinating transfers between parties approximately a year ago. The same practice was adopted in the Unitil/Capital area once issues were identified as part of this proceeding. Unitil agrees that there is an opportunity to improve the notification process to accomplish timely transfers of all attaching parties.

Verizon Claim No. 9: In addition, apparently as a result of this proceeding, Unitil has begun to address its backlog of transfer notifications. Recently, Unitil served Verizon NH approximately 120 notifications for pole transfers in its Capital area.

Unitil Reply: Unitil does not have a backlog of transfer notifications, nor can we verify that 120 notifications for pole transfers in the Capital area were recently served. According to our records, 98 transfer notifications (Form 57) were issued to Verizon between January and July of this year in the Capital region, of which 68 remain outstanding (not transferred). We disagree that this in any way reflects an effort to address a backlog of transfer notifications.

As discussed in the technical sessions, neither Unitil nor Verizon traditionally used Form 57 to coordinate transfers in this area in the past. Communication between the companies was informal, typically consisting of phone calls, communication in the field, and e-mail. This was the practice by both parties. As a result of this proceeding, Unitil implemented administrative changes to ensure that written notifications are accomplished using Form 57, in accordance with the IOP. As a result, some Form 57's were issued during recent months to document transfer notifications that had already been communicated through informal means.

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In addition, late last year the City of Concord compiled a list of 97 double pole locations within city limits. This list was provided to both Unitil and Verizon in October of 2005. Unitil field personnel audited the identified locations to determine which party was next-in-line to be transferred and sent notifications using Form 57 to coordinate the transfers as appropriate. In many cases, Verizon was the only party remaining to be transferred and transfer notifications were sent accordingly. According to our records, Verizon currently has 32 such poles awaiting transfer. In addition, three notices were sent to Verizon as a result of double poles identified through a data request in this proceeding. Other notifications sent to Verizon were for routine construction work, as well as pole replacements due to inspection and maintenance programs. There is no "backlog" as suggested.

Person Responsible: Raymond A. Letourneau

Date: July 24, 2006